

## **KREAB Fee Advisory – 2009-1**

### **The Issue – Payment of an undisclosed fee in connection with the procurement of a real property appraisal assignment.**

Some ordering companies and Appraisal Management Companies (AMC's) are telling certified and licensed appraisers that their policy is for the appraiser to collect a fee at the door. Appraisers have asked KREAB for guidance and advice on this issue.

This arrangement does not present a problem unless the fee collection involves more than the appraisal fee. Then the appraiser needs to exercise caution.

The Board wishes to highlight the requirements of Ethics Rule, Management Section of USPAP, specifically the following from page U-8 of the 2008- 2009 edition, which states:

**“The payment of undisclosed fees, commissions, or things of value in connection with the procurement of an assignment is unethical.**

**Comment: Disclosure of fees, commissions, or things of value connected to the procurement of an assignment must appear in the certification and in any transmittal letter in which the conclusions are stated. .... Competency, rather than financial incentives, should be the primary basis for awarding an assignment.”**

**Advisory Opinion of the Board:** The language in the Ethics Rule, Management Section of USPAP is clear – the payment of anything of value from the appraiser in conjunction with the procurement of an assignment without disclosure is a violation of USPAP. KREAB advises that Kentucky appraisers must make every effort to clearly and openly disclose any fees paid to anyone in conjunction with the procurement of any appraisal assignment within the appraisal report, in any letter of transmittal and in the certification; when a portion of the appraisal fee is paid to ordering companies and AMC's in conjunction with the procurement of the assignment. If no portion of the fee collected at the door is being funneled through the appraiser, then no disclosure is necessary.